

UNITED STATES DEPARTMENT OF AGRICULTURE

Farm Service Agency
Washington, DC 20250

Notice FSFL-25

For: State and County Offices

Farm Storage Facility Loan (FSFL) Flood and Crop Insurance Requirements

Approved by: Deputy Administrator, Farm Programs



1 Overview

**A
Background**

As determined by CCC, FSFL applicants must obtain flood insurance before loan closing. However, according to the Federal Emergency Management Agency (FEMA), the National Flood Insurance Program's (NFIP) statutory authority to issue new and renewal policies or to increase coverage on existing policies expired on December 31, 2002. A brief hiatus is expected until the 108th Congress re-establishes this authority.

Also, although crop insurance is no longer required as a condition of eligibility for marketing assistance loans and loan deficiency payments (LDP's), according to the FSFL regulations at 7 CFR Part 1436.5, crop insurance continues to be a requirement for FSFL's.

**B
Purpose**

This notice provides guidance to County Offices for:

- closing FSFL's where flood insurance is a requirement but a new flood insurance policy cannot be issued because of the hiatus imposed by FEMA
- reminding applicants and existing borrowers that crop insurance is required for FSFL's.

**C
Contact**

State Offices shall direct questions about this notice to Chris Kyer by:

- telephone at 202-720-7935
- e-mail at chris_kyer@wdc.usda.gov.

Disposal Date	Distribution
June 1, 2003	State Offices; State Offices relay to County Offices

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2 Flood Insurance Requirements

A

Flood Insurance Requirement

According to 1-FSFL, subparagraph 58 G, County Offices shall:

- determine whether proposed storage facility sites are located in flood hazard areas by viewing flood insurance program maps
- document the review on FEMA 81-93
- require the loan applicant to obtain flood insurance if the review indicates that flood insurance is required
- not approve FSFL's if flood insurance is required and not obtained or not available.

Note Flood insurance is not available when communities elect not to participate in NFIP.

B

County Office Action

During the hiatus imposed by FEMA, for new FSFL's where flood insurance is required, County Offices shall:

- approve FSFL's with the condition that proof of **application** for flood insurance is provided to CCC before the loan is closed
- close FSFL's with the condition that proof of insurance is provided to CCC as soon as a policy is issued.

During the hiatus imposed by FEMA, for FSFL's where flood insurance was required to be **renewed** after December 31, 2002, County Offices shall:

- remind borrowers in writing of the flood insurance requirement
- obtain proof of renewed flood insurance as soon as it is available.

County Offices shall resume normal flood insurance compliance actions according to 1-FSFL when notified by a future FSFL notice.

3 Crop Insurance Requirement

A

Crop Insurance Requirement

According to 1-FSFL, subparagraph 58 A, County Offices shall:

- require FSFL applicants to provide proof of crop insurance for all insurable facility loan commodities of economic significance on all farms operated by the borrower in the county where the storage facility is located
 - annually obtain proof of insurance for each crop year applicable to the entire term of the FSFL.
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B

County Office Action

County Offices shall continue to require FSFL applicants and borrowers to obtain and maintain crop insurance according to 1-FSFL, subparagraph 58 A.
